

PROPOSAL TWO

Description: *Projects included in the RETI base case would be those with governing authority approval to expend funds on detailed environmental and design work and which have a public Notice of Intent (NOI for EIS or NOP for EIR). Projects also would be allowed to 'opt-in' to the RETI ratings and rankings at the discretion of the transmission provider.*

Reasons Why this Proposal is best:

1) This Option is Fair to parties who have collaborated with RETI in good faith. Prior RETI SSC discussions indicated an unwillingness to interfere with transmission projects that were well underway.* Significantly changing the decision criteria for what is in the base case at the end of phase 2 is inappropriate and wrong. At this late date for Phase 2, a major change in the Base Case definition is unworkable to some stakeholders.

2) This Option provides only a Small Change in the definition of the Base Case and is Consistent with prior decisions of the RETI Coordinating and Stakeholder Committees. This proposal provides the least change and needed clarity (explained in reason 3 below) to the prior base case decision. The existing base case for transmission projects was defined in the Phase 1A report as "...existing transmission, projects under construction, and projects approved by the transmission control operator.....Black & Veatch will work with the POU's to determine if additional proposed transmission resources controlled by these entities should be included in the base case." The specific transmission projects included were all Tehachapi lines, Sunrise Powerlink, and the Devers to Palo Verde 2 line. The Phase 1B report defines the transmission base case as "...transmission ..approved for development by the CAISO, or by the appropriate decision-maker (i.e., City Council, or POU Board of Directors)..." and adds the Green Path (IID only) project to the 1A list.

3) This Option adds much needed Clarity regarding projects within or outside of the Base Case. The primary reason for the current RETI issue is because only a vague definition of "... approved by the appropriate decision-maker..." was provided. In addition, there was a lack of follow-up with POU stakeholders regarding which POU transmission lines would be in the base case. By adding the requirements "... governing authority approval..." and "public Notice of Intent" the criterion remains consistent with the earlier actions of RETI yet provides a 'bright line' delineation of eligibility to the RETI Base Case.

4) This Option allows the stakeholders who Disagree technically with the RETI phase 2 transmission Rating Methodology to remove their projects from its application. Some stakeholders have stated that the RETI transmission rating and ranking does not reflect the benefits and costs of new transmission to Utilities. Specific issues raised include: a) RETI has a short term 2020

transmission view that does not reflect the long term benefits of transmission infrastructure. b) The level of precision required for an ordinal ranking (1, 2, 3, 4, 5, 50) in RETI is not supported by data with low accuracy (e.g., CREZ size), the apples & oranges nature of the criteria, segments rating vs. full lines rating, lack of weights applied to the criteria, etc. c) The rankings are not relevant when comparing different parts of the state (e.g., a southern CA line segment cannot be compared meaningfully to a northern CA line segment). d) The rankings highly value transmission for large LSEs with a large 2020 renewable energy net short and provides low value to small and medium LSEs with high 2010 renewable energy supply. e) Statewide RETI rankings do not recognize that all major load centers of the state require delivery of renewable electricity in order to reduce CO2 emissions and meet aggressive renewable energy supply and GhG goals. Local fossil generation must be reduced to reduce CO2 emissions. f) RETI focused on California resources and transmission development and has not adequately addressed the value of regional projects. Thus, renewable electricity must be delivered to major state load centers to reduce carbon emissions and to provide load serving capability. Since most utilities do not have adequate, competitive, local renewable energy resources to serve local loads, utilities need certainty of transmission delivery at predictable costs which is not reflected in the RETI ranking methodology.

*This proposal would allow both the TANC transmission projects and the LADWP Green Path North in the RETI Base Case because they are both in the public environmental permitting process. For example, the TANC projects already have completed 12 formal Public Scoping Meetings after filing an NOI. Over 1000 comments have been received, and many additional coordination meetings are being scheduled. Since this is a public process being coordinated by the lead CEQA and NEPA agencies which have issued their NOI and NOP, it is not appropriate for the RETI process to rate the TTP from an environmental standpoint. Over 1300 miles of corridor options have been proposed and are being evaluated by US Forest Service, US Bureau of Land Management, the Western Area Power Administration, TANC, and many other agencies, private landowners, along with many other public and private agencies, These corridor options will likely change based on the input received. This process needs to be given its opportunity to continue and to reach decisions based on the facts justified as part of the process.